

089689
RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations, ~~4.14.48~~



REPORT TO THE COMMITTEE ON
ARMED SERVICES
UNITED STATES SENATE

74-0338

RELEASED

RELEASED

Progress In Implementing
Incremental Programing

B-167034

Department of Defense

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

904626
089689

MAY 7, 1974



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-167034

The Honorable John C. Stennis, Chairman
Committee on Armed Services
United States Senate

Dear Mr. Chairman:

In accordance with your October 4, 1973, request and discussion with your office, we reviewed 10 Department of Defense (DOD) major weapon systems for compliance with the incremental programing policy. We made similar reviews during 1972 and 1973 and reported the results to the Committee on April 26, 1972, and April 18 and May 15, 1973 (B-167034).

Your Committee's report No. 92-359 on the fiscal year 1972 Military Procurement Authorization Bill directed that research, development, test, and evaluation (RDT&E) work was to be programed in 12-month increments starting fiscal year 1973. With certain exceptions, this should coincide with the fiscal year. This policy was updated in 1973, and the requirement that first-tier reimbursable subcontracts of \$5 million or more should be funded for 12-month periods was added.

Our review of fiscal years 1974 and 1975 funding plans disclosed that 10 programs were complying with the incremental programing policy. Generally, all fiscal year 1974 and 1975 contractor and inhouse costs were to be incurred and work was to be performed coincident with the fiscal year.

We examined available records and held discussions with officials at DOD and service headquarters; 3 Navy, 3 Air Force, and 4 Army program offices; and 3 contractor locations. A brief summary of program plans and budget requests for each weapon system is included in the appendix.

IMPLEMENTATION OF INCREMENTAL PROGRAMING POLICY

In the past, the Congress has been concerned about the large unobligated and unexpended balances carried over from year to year in DOD's RDT&E appropriations. To obtain a more effective use of authorized and appropriated funds and to provide additional congressional control, the Senate Committee on Armed Services in 1972 established a uniform incremental programing policy to be followed by DOD. This policy was revised in 1973 to incorporate changes worked out by the committee and DOD.

Your committee's September 6, 1973, report 93-385 provides that only those RDT&E funds required for work in a fiscal year be included in the authorization request for that fiscal year. The report requires that,

generally, the budget estimates should be formulated to cover work planned and costs expected for a 12-month period. Work performed and costs incurred for multiyear contracts and for inhouse work on major weapon systems (development programs in excess of \$100 million) preferably should coincide with the fiscal year. For major weapon systems, funding for first-tier subcontractor costs on reimbursable-type subcontracts of \$5 million or more is required to be limited to a 12-month period--not necessarily coincident with the fiscal year but not more than 12 months beyond the end of the fiscal year for which funds are authorized. The current policy also allows specific exceptions from incremental programing.

In an August 31, 1973, memorandum to the Secretaries of the military departments, DOD instructed the services to comply with the current incremental programing policy in preparing their fiscal year 1975 RDT&E estimates. The DOD Budget Manual has been revised to implement the current policy, and the Army, Navy, and Air Force have directed their project offices to conform their budget estimates with its provisions.

First-tier subcontractors

Your request asked us to specifically address the application of incremental programing principles to first-tier subcontracts. Six of the ten programs we reviewed had reimbursable first-tier subcontracts of more than \$5 million for fiscal years 1974 and 1975. We found that all such subcontracts except two which were awarded prior to the current policy were incrementally funded coincident with the fiscal year, as currently required. Information on the programs with reimbursable first-tier subcontracts of \$5 million or more is summarized below.

<u>Program</u>	<u>Incrementally funded reimbursable subcontracts</u>
TRIDENT	9
HARPOON	2
B-1	2
XMI	3
Site Defense	3
SAM-D	1

Two first-tier reimbursable subcontracts over \$5 million each for the TRIDENT submarine program are not incrementally funded because they were awarded in November 1971 and January 1973, before the current programing guidance. Project officials stated it was their understanding that the current guidance was not to be applied retroactively. Renegotiation of these subcontracts was not contemplated because it would result in increased costs, additional contract administration, and potential delays in contractor performance. Your staff concurs that the current

policy does not require retroactive application of its provisions. Project officials advised us that in the future new reimbursable subcontracts will be incrementally funded in accordance with the current policy.

Although the current guidance does not make it mandatory to apply incremental programing principles on fixed-price subcontracts, we found that three programs were incrementally funding some fixed-price subcontracts, as follows:

HARPOON	4 subcontracts under \$5 million
B-1	3 subcontracts over \$5 million
Site Defense	2 subcontracts over \$4 million

In addition, the XML program is incrementally funding one reimbursable subcontract for \$1.95 million. HARPOON and XML project officials stated that incremental programing, in effect, forces the prime contractors to incrementally fund these subcontractors.

VIEWS ON THE CURRENT POLICY

DOD, Army, Navy, and Air Force officials expressed the view that the incremental programing policy was a workable one and that generally, they had no problems in complying with it. DOD officials stated that incremental programing had improved DOD management control over its RDT&E programs by providing uniform funding policy for the military services. To facilitate implementation of incremental programing and to expedite paperwork, DOD provides funding authorizations to the military project offices by June 1, giving the project offices more time to write contracts for the next fiscal year. Officials of several programs observed that orderly implementation of incremental programing policy is dependent on receiving funds promptly. If funds are not received early in the fiscal year, the project office must change the commitment and expenditure schedules and delay awarding many smaller contracts, thus impairing the ability to obtain needed contract support.

TRIDENT program officials believed that incremental programing increases contract administration without changing the rate of expenditure of Government funds except perhaps to increase it. For example, budgeting and contracting actions need to be undertaken each year; whereas under full funding these actions would have been taken just once. However, the project offices have not made studies to determine the magnitude of the impact of incremental funding on program and contract administration.

Two contractors for the TRIDENT program and one contractor for the HARPOON program advised us that the current policy was not causing any great problems inhouse or with subcontractors. An official of one prime contractor for the TRIDENT submarine program stated that incremental programing required more administrative effort and inconvenience. He added that many contractors were hesitant to undertake an RDT&E program because funding could be cut off and the program could be ended at any time.

Generally, with respect to the current limitation on subcontracts, project officials believed that the incremental programing principles should not be applied to first-tier subcontracts under \$5 million since it would increase the administrative workload to an unacceptable level. More specifically, officials from the TRIDENT Project Office pointed out that any budget reduction which might result from incrementally funding subcontracts under \$5 million would not be a real savings. It would only defer requirements for obligational authority without reducing either the rate or amount of Government outlays. According to these officials, reducing the \$5 million limit would increase costs and make contracting efforts more difficult.

TRIDENT project officials also believed a mandatory requirement for incrementally funding fixed-price subcontracts should not be adopted. For fiscal years 1974 and 1975, the TRIDENT program has seven fixed-price subcontracts which involve long lead manufacture of nuclear propulsion plant components. It is difficult to obtain qualified suppliers of these components at a reasonable price because the commercial market is more attractive. In addition to the extra administrative effort required, incremental funding of these subcontracts could add an element of uncertainty, jeopardizing the Navy's ability to obtain a reasonable price from qualified suppliers.

CONCLUSION

Our review of 10 major weapon system programs showed that the current incremental programing guidance is workable for funding research and development projects and that fiscal years 1974 and 1975 programs are generally planned to be incrementally funded.

In our April 18, 1973, report, we suggested that the Committee encourage DOD to urge its contractors to increase the volume of incrementally funded subcontracts. We also suggested that a level of subcontracting and a dollar value for each subcontract would have to be established beyond which it would not be practical to apply incremental programing because of the related administrative costs. Subsequently a \$5 million limitation was established.

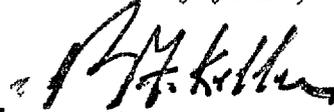
Although specific amounts cannot be determined, there is extra administrative effort and expense involved in incrementally funding subcontracts. In the case of cost reimbursement subcontracts in excess of \$5 million, these costs may not be large in relation to the amount of obligational authority that can be deferred. In the case of smaller cost reimbursable subcontracts, the benefit would be less. Generally, project officials felt that lowering the mandatory \$5 million limit for subcontractors would, in most cases, increase administrative burden and cost of the programs without a commensurate benefit to the Government. In light of this general acceptance by the services and in absence of evidence to the contrary, we believe that the current \$5 million limit is a reasonable cutoff point for requiring that reimbursable subcontracts be incrementally funded.

We also believe that the elements of uncertainty and difficulty in obtaining qualified suppliers may be valid reasons for not making mandatory the incremental funding of fixed-price subcontracts. This is particularly true for developmental subcontracts for which the principal value of the research and development work is in the fabrication and testing of a piece of hardware or equipment. In summary, the current limitations on subcontracts which were mutually agreed on by the Committee and the DOD are workable. DOD is complying with these limitations.

As instructed by your office, we did not obtain formal comments on this report. The draft was reviewed informally by DOD officials, and their comments were considered in preparing this report.

As agreed with your office, we are sending copies of this letter to Chairmen of the House and Senate Committees on Appropriations and on Government Operations and of the House Armed Services Committee; the Director of the Office of Management and Budget; and the Secretaries of the Army, Navy, Air Force, and Defense. We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,



Acting Comptroller General
of the United States

APPENDIX

APPENDIX

PROGRAMS REVIEWED FOR INCREMENTAL PROGRAMING

FISCAL YEARS 1974 AND 1975

<u>Page</u>	<u>WEAPON SYSTEM</u>	Programed amount <u>1974</u>	Budget request <u>1975</u>
		——(millions)——	
	Army:		
8	SAM-D missile	\$193.8	\$111.0
10	Site defense program	110.0	160.0
12	Utility Tactical Transport Aircraft System (UTTAS)	102.6	54.1
14	XMI tank system	54.0	68.8
	Navy:		
16	HARPOON program	92.7	67.4
	TRIDENT:		
18	Submarine system	126.3	107.2
20	Missile system	527.7	648.8
22	Vertical/Short Takeoff and Landing aircraft (V/STOL)	27.1	25.0
	Air Force:		
26	A-10 aircraft	107.4	93.9
28	B-1 aircraft	488.5	499.0
30	Lightweight fighter prototype aircraft	46.5	12.7

SAM-D MISSILE PROGRAM

Fiscal Year 1974 RDT&E Program--\$193.8 Million

	<u>Planned period of performance</u>
Contract:	
Raytheon Company, system engineering development	July 15, 1973, to June 30, 1974
International Business Machines, System engineering cost reduction assistance	Jan. 1, 1974 to July 15, 1974
Other	Various dates from Oct. 12, 1973, through June 30, 1974
In-house:	
SAM-D Project Office	July 2, 1973 to June 30, 1974
U.S. Army Missile Command	Various dates--from July 3, 1973, through June 30, 1974
Army Materiel Command	Various dates from July 10, 1973, through June 30, 1974, except for three leadtime items to be delivered in September 1974 and July 1975
Other Government activities	Various dates--from July 2, 1973, through June 30, 1974

Project officials advised us that a breakout of the \$193.8 million fiscal year 1974 RDT&E budget was not available because of the recent program reorientation directed by the Deputy Secretary of Defense on January 10, 1974. The reorientation requires a proof-of-principle flight test program to be completed through fiscal year 1975 and suspension of all other effort not critical to continuation of an austere development program. A decision, based on the results of this reorientation effort, will be made at the end of fiscal year 1975 on whether to continue or terminate the SAM-D program.

A project official told us that the recent reorientation will result in a carryover of about \$17 million of fiscal year 1974 funds. The SAM-D Project Office plans to use these funds in fiscal year 1975 and is seeking approval from the Secretary of Defense to augment the \$111 million fiscal 1975 budget. According to project officials, this budget will be insufficient to cover the proof-of-principle flight demonstration effort. Army officials have told the Secretary of Defense and a staff member of the Research and Development Subcommittee, Senate Armed Services Committee, of these plans.

ARMY BUDGET REQUEST FOR THE SAM-D MISSILE PROGRAM

Fiscal Year 1975 RDT&E Program--\$111 Million

For fiscal year 1975, \$111 million has been requested for the SAM-D project. The budget request does not show the periods of performance of the various program efforts to be funded with fiscal year 1975 RDT&E funds. However, the instructions for preparing the budget request require compliance with the incremental programing principles.

SITE DEFENSE PROGRAM

Fiscal Year 1974 RDT&E Program--\$110 Million

	<u>Amount</u>	<u>Planned period of performance</u>
	(millions)	
Contract:		
McDonnell-Douglas Corporation	\$ 73.5(	July 1, 1973, to June 30, 1974
Martin Marietta Corporation	24.7(
Brown Engineering Company	7.0(
Other	.3	Various dates--from July 1, 1973, through June 30, 1974
Total	<u>\$105.5</u>	
In-house:		
Site defense project office	\$ 3.7	July 1, 1973, to June 30, 1974
Other Government activities	.8	Various dates from July 1, 1973, through June 30, 1974
Total	<u>\$ 4.5</u>	
Total	<u><u>\$110.0</u></u>	

ARMY BUDGET REQUEST FOR THE SITE DEFENSE PROGRAM

Fiscal Year 1975 RDT&E Program--\$160 Million

For fiscal year 1975, RDT&E funds of \$160 million have been requested for the Site Defense Project. The fiscal year 1975 budget request does not show the periods of performance of the various program efforts to be funded with fiscal year 1975 RDT&E funds. However, the budget request contains a statement that the fiscal year 1975 RDT&E funds requested cover a period of performance and costs to be incurred from July 1, 1974, to June 30, 1975.

UTILITY TACTICAL TRANSPORT SYSTEM (UTTAS)

Fiscal Year 1974 RDT&E Program--\$102.6 Million

The UTTAS Project Manager was anticipating a \$6.3 million carryover and will reduce the fiscal year 1975 funding request by that amount. The following schedule shows the original and anticipated use of fiscal year 1974 funds.

	<u>Original program</u>	<u>Carryover</u>	<u>Anticipated program</u>
	----- (millions) -----		
Contract:			
Sikorsky	\$ 24.6		\$24.6
Boeing/Vertol	38.3		38.3
General Electric:			
Engine development	14.4		14.4
Air vehicle support	17.2	\$3.2	14.0
Other	<u>5.4</u>	<u>2.8</u>	<u>2.6</u>
Total	\$ <u>99.9</u>	\$ <u>6.0</u>	\$ <u>93.9</u>
In-house:			
Project Manager	\$ 1.9	\$.3	\$ 1.6
Other	<u>.8</u>	---	<u>.8</u>
Total	\$ <u>2.7</u>	\$ <u>.3</u>	\$ <u>2.4</u>
Total	<u>\$102.6</u>	<u>\$6.3</u>	<u>\$96.3</u>

Except for the \$6.3 million carryover, all work is planned to be performed and costs incurred by June 30, 1974. The Project Manager stated that the anticipated carryover came from (1) reducing the number of engines required for the program by changing from a six-prototype program to a three-prototype program, (2) terminating support for a long-range navigation (LORAN) development program planned for use on the UTTAS, and (3) obtaining Government-furnished items from excess lists or other sources at no cost to the program.

ARMY BUDGET REQUEST FOR THE
UTILITY TACTICAL TRANSPORT SYSTEM (UTTAS)
Fiscal Year 1975 RDT&E Program--\$60.4 Million

The Army's budget request for fiscal year 1975 was originally \$60.4 million for the UTTAS program. Project officials stated that \$6.3 million may not be used in fiscal year 1974. We were advised that a total of \$54.1 million will be requested during congressional hearings. A breakdown of the current budget follows:

	<u>Amount</u> (millions)	<u>Planned period</u> <u>of performance</u>
Contract:		
Sikorsky	15.2(	All work to be completed and costs to be incurred by June 30, 1975
Boeing/Vertol	21.9(
General Electric:		
Engine development	11.6(
Air vehicle support	1.4(
Other	<u>1.1(</u>	
Total	<u>\$51.2</u>	
In-house:		
Project Manager	\$ 2.2(
Other	<u>.7(</u>	
Total	<u>\$ 2.9</u>	
Total	<u><u>\$54.1</u></u>	

XML TANK SYSTEM

Fiscal Year 1974 RDT&E Program--\$54 Million

	<u>Amount</u>	<u>Planned period of performance</u>
	(millions)	
Contractor:		
Validation (General Motors and Chrysler)	\$46.3(	Periods of performance coincide with end of fiscal year 1974
Other	<u>.5(</u>	
Total	<u>\$46.8</u>	
In-house:		
Army Materiel Command	\$ 4.4(
XML Project Office	<u>2.8(</u>	
Total	<u>\$ 7.2</u>	
Total	<u><u>\$54.0</u></u>	

As of January 31, 1974, \$13.7 million of the XML program's fiscal year 1974 funds had not been issued. About \$9.9 million of the unissued funds is in the April 1974 allotment to prime contractors. Chrysler currently plans to spend its total fiscal year 1974 allotment. The December 1973 status report shows that General Motors may not spend \$1.1 million. To determine contractor plans for spending fiscal year 1974 funds by June 30 and the amount of funds actually required by the contractors through June 30, project officials planned to meet with both contractors in March 1974.

The remaining \$3.8 million not issued is for various Army Materiel Command activities, but they may not issue and spend all these funds in fiscal year 1974. However, at this time, project officials are unable to provide an estimate of potential unexpended funds.

ARMY BUDGET REQUEST FOR THE XML TANK SYSTEM

Fiscal Year 1975 RDT&E Program--\$68.8 Million

	<u>Amount</u>	<u>Planned period of performance</u>
	(millions)	
Contractor:		
Validation (General Motors and Chrysler)	\$62.9(	Periods of performance coincide with the fiscal year ending June 30, 1975
In-house:		
Army Materiel Command	2.4(
XML Project Office	<u>3.5(</u>	
Total	\$ <u>5.9</u>	
Total	<u>\$68.8</u>	

HARPOON MISSILE PROGRAM

Fiscal Year 1974 RDT&E Program--\$92.7 Million

	<u>Amount</u>	<u>Planned period of performance</u>
	(millions)	
Contract:		
McDonnell-Douglas	\$70.2(	All work to be performed and costs to be incurred by June 30, 1974, except for about \$12.1 million for long-lead items.
Teledyne	<u>6.2(</u>	
Total	\$76.4(
In-house	<u>\$16.3(</u>	
Total	<u>\$92.7</u>	

The total fiscal year 1974 RDT&E budget for HARPOON includes \$14.1 million which was originally requested as procurement funds and reprogramed and appropriated by the Congress as RDT&E funds. All fiscal year 1974 RDT&E funds, except for \$12.1 million of the reprogramed \$14.1 million, will be used to pay for costs incurred and work performed through June 30, 1974. A project official stated about \$10.9 million of fiscal year 1974 RDT&E funds will be allocated to McDonnell-Douglas for long-lead items such as engines and warhead hardware. Work to be performed and costs incurred will extend through July 1975. In addition, about \$1.2 million will be allocated to an in-house organization which may cover work to be performed from March to September 1974. Both of these deviations from incremental programming are allowed as exceptions under the current policy.

NAVY BUDGET REQUEST FOR THE HARPOON MISSILE PROGRAM

Fiscal Year 1975 RDT&E Program--\$67.4 Million

	<u>Amount</u> (millions)	<u>Planned period of performance</u>
Contract:		
McDonnell-Douglas	\$50.6(	All work to be completed and costs to be incurred by June 30, 1975.
Teledyne	<u>1.9(</u>	
Total	<u>\$52.5</u>	
In-house	<u>\$14.9(</u>	
Total	<u><u>\$67.4</u></u>	

TRIDENT SUBMARINE PROGRAM

Fiscal Year 1974 RDT&E Program--\$126.3 Million

	<u>Amount</u>	<u>Planned period of performance</u>
	(millions)	
Contract:		
General Electric Knolls Atomic Power Laboratory	\$ 43.0(	All work to be performed and costs to be incurred on or before June 30, 1974
International Business Machines Corporation	16.5(
General Dynamics/Electric Boat Division	13.9(	All work to be performed and costs to be incurred by June 30, 1974
International Telephone and Telegraph Corporation	8.6	
Bradford Computer and System	1.3(	All work to be performed and costs to be incurred by June 30, 1974
Systems Consultants, Inc.	.2(
Atlantic Research	.1(	A 12-month contract from August 1973 through July 1974
Master Plan Joint Venture	.6	
Honeywell, Inc.	.1	Work to be incrementally funded through July 15, 1974.
Other selected	25.0	All work to be performed and costs to be incurred by June 30, 1974
To be selected	<u>1.1</u>	
Total	<u>\$110.4</u>	
In-house:		
Naval Underwater System Center	\$ 6.6(	All work to be performed and costs to be incurred by June 30, 1974.
Naval Ship Research and Development Center	3.5(
Naval Ship Engineering Center, Washington	2.1(
Other selected	3.0(
To be selected	<u>.7(</u>	
Total	<u>\$ 15.9</u>	
Total	<u>^a\$126.3</u>	

^aWe reviewed contracts and project orders representing 71 percent of the Navy's fiscal year 1974 RDT&E program for the TRIDENT submarine.

NAVY BUDGET REQUEST FOR THE TRIDENT SUBMARINE PROGRAM

Fiscal Year 1975 RDT&E Program--\$107.2 Million

	<u>Amount</u>	<u>Planned period of performance</u>
	(millions)	
Contract:		
General Electric--Knolls Atomic Power Laboratory	\$ 25.0(	July 1974 to June 30, 1975
International Business Machines Corporation	21.9(
General Dynamics/Electric Boat Division	13.7(
International Telephone and Telegraph Corporation	3.0(
Other selected	13.0(
To be selected	<u>16.5(</u>	All work to be performed and costs incurred by June 30, 1975
Total	^a <u>\$ 93.8</u>	
In-house:		
Naval Underwater System Center	\$ 5.7(
Naval Ship Research and Development Center	3.1(	All work to be performed and costs incurred by June 30, 1975
Naval Ship Engineering Center	2.4(
Other selected	1.9(
To be selected	<u>.3(</u>	
Total	<u>\$ 13.4</u>	
Total	<u><u>\$107.2</u></u>	

^aDoes not add due to rounding.

TRIDENT I (C-4) MISSILE PROGRAM

Fiscal Year 1974 RDT&E Program--\$527.7 Million

	<u>Amount</u>	<u>Planned period of performance</u>
	(millions)	
Contract:		
Lockheed Missiles and Space Company, Inc.	\$299.2 (	July 1973 to June 30, 1974
General Electric/Ordnance Systems Division	50.2 (
Charles Stark Draper Laboratory, Inc.	50.1 (
Sperry Rand Corporation	30.2 (
Westinghouse Electric Corporation	15.8 (
Rockwell International Corporation	1.3	August 1973 to July 31, 1974
Hydrospace-Challenger, Inc.	.2	August 1973 to July 31, 1974
Other	<u>24.7</u>	July 1973 to June 30, 1974
Total	^b \$ <u>471.6</u>	
In-house:		
Air Force Space and Missile System Organization	23.3 (
Atomic Energy Commission	12.8 (
Naval Weapons Laboratory	4.7 (	July 1973 to June 30, 1974
Naval Ordnance Laboratory	3.6 (
Naval Ammunition Depot	1.9 (
Wright Patterson Air Force Base	.2 (
Other	<u>9.7 (</u>	
Total	^b \$ <u>56.1</u>	
Total	^a \$ <u>527.7</u>	

^aWe reviewed contracts and project orders representing 93 percent of the Navy's fiscal year 1974 RDT&E program for the TRIDENT I (C-4) missile program.

^bDoes not add due to rounding.

NAVY BUDGET REQUEST FOR THE
TRIDENT I (C-4) MISSILE PROGRAM
Fiscal Year 1975 RDT&E Program--\$648.8 Million

	<u>Amount</u>	<u>Planned period of performance</u>
	(millions)	
Contract:		
Lockheed Missiles and Company, Inc.	\$411.4 (	July 1974 to June 30, 1975
General Electric/ Ordnance Systems	59.6 (
Charles Stark Draper Laboratory, Inc.	40.0 (
Sperry Rand Corporation	24.5 (
Westinghouse Electric Company	16.4 (
Raytheon Corporation	15.6 (
Singer, Inc.	8.2 (
Other selected contracts	<u>24.2 (</u>	
Total	^a <u>\$599.8</u>	
In-house:		
Atomic Energy Commission Air Force Space and Missile Systems Organization	\$ 13.7 (	July 1974 to June 30, 1975
Naval Weapons Laboratory	5.2 (
Naval Ammunition Depot	3.8 (
Naval Ordnance Laboratory	1.7 (
Wright Patterson Air Force Base	.2 (
Other selected in-house work	<u>10.8 (</u>	
Total	^a <u>\$ 48.9</u>	
Total	^a <u><u>\$648.8</u></u>	

^aDoes not add due to rounding.

V/STOL PROGRAM

Fiscal Year 1974 RDT&E Program--Thrust Augmented Wing--\$24.3 Million
 Advanced Harrier -- 1.6 Million
 Lift Plus/Lift Cruise-- 1.2 Million
 Total ^a\$27.1 Million

	<u>Amount</u>	<u>Planned period of performance</u>
	(millions)	
<u>V/STOL Thrust Augmented Wing</u>		
Contract:		
Rockwell International	\$20.8(	All work to be performed and costs to be incurred by June 30, 1974
United Aircraft, Pratt, and Whitney Division	<u>2.7(</u>	
Total	<u>\$23.5</u>	
In-house	\$.8	All effort to be completed by June 30, 1974
Total	<u>\$24.3</u>	

The Deputy Project Manager advised us that, as of January 1974, DOD had deferred \$3.3 million of the fiscal year 1974 RDT&E funds pending successful completion of a key milestone in March 1974. However, he felt these funds would be released and all work performed and costs incurred by June 30, 1974.

V/STOL Advanced Harrier

Contract:		
McDonnell-Douglas Corp. and United Aircraft, Pratt, and Whitney Division	\$.7	February - May 1974
Funds deferred by the Navy pending decision on whether to continue project	<u>.9</u>	Period of performance will depend on (a) whether Navy decides to continue project and (b) when Navy plans to release funds for project
Total	<u>\$ 1.6</u>	

^aDoes not include the advanced propulsion for V/STOL. We did not review that program.

APPENDIX

The Advanced Harrier V/STOL is a joint United States and United Kingdom effort. For fiscal year 1974, the United States' portion of the program is \$1.6 million in RDT&E funds. Of this amount, \$700,000 was released by the Navy during February 1974 and will be used to fund the two prime contractors from February through May 1974. At the time of our review, the balance of \$900,000 had not yet been released by the Navy. The project manager advised us that a decision to release this money and complete the fiscal year 1974 program or to discontinue fiscal year 1974 effort will be made in April 1974. In November 1974 the United States and the United Kingdom will decide on whether to continue the program.

	<u>Amount</u> <u>(millions)</u>	<u>Planned period</u> <u>of performance</u>
<u>V/STOL Lift Plus/Lift Cruise</u>		
Contract:		
General Dynamics	\$.3	September 1973 through January 1974
General Dynamics	.3	5 or 6 months possibly a month beyond end of fiscal year 1974
New contracts to be competitively awarded during February 1974 (two contracts for \$.3 million each)	<u>.6</u>	Approximately 5 months from date of award
Total	<u>\$1.2</u>	
In-house	<u>0</u>	
Total	<u>\$1.2</u>	

NAVY BUDGET REQUEST FOR THE

V/STOL PROGRAM

Fiscal Year 1975 RDT&E Program--Thrust Augmented Wing--	\$19.3 Million
Advanced Harrier	3.9 Million
Lift Plus/Lift Cruise	<u>1.8 Million</u>
Total	^a <u>\$25.0 million</u>

	<u>Amount</u> <u>(millions)</u>	<u>Planned period</u> <u>of performance</u>
<u>V/STOL Thrust Augmented Wing</u>		
Contract:		
Rockwell International	\$13.8	All work to be performed and costs incurred by June 30, 1975
United Aircraft, Pratt, and Whitney Division	<u>.6</u>	
Total	<u>\$14.4</u>	
In-house:	\$ <u>4.9</u>	All effort to be completed by June 30, 1975
Total	<u>\$19.3</u>	

V/STOL Advanced Harrier

Project officials stated in January 1974 that, if the decision is made to continue the Advanced Harrier V/STOL program, the Navy would request \$3.9 million in RDT&E funds for fiscal year 1975. The period of performance would be for 12 months, not necessarily coincident with the fiscal year. The project manager stated that the uncertainty of the program and the fact that the United Kingdom's fiscal year runs from April to March precludes funding coincident with the fiscal year.

However, in March 1974, the Deputy Project Manager said the Navy was considering accelerating the Advanced Harrier V/STOL program. Under the accelerated program, a total of \$28.9 million would be requested for fiscal year 1975--\$3.9 million would fund work from July to December 1974 and \$25 million would fund work from January to June 30, 1975.

^aDoes not include the advanced propulsion for V/STOL. We did not review that program.

APPENDIX

	<u>Amount (millions)</u>	<u>Planned period of performance</u>
<u>V/STOL Lift Plus/Lift Cruise</u>		
Contract:		
General Dynamics, Convair	\$.9	July 1974 to June 30, 1975
One contract to be awarded competi- tively	<u>.9</u>	August 1974 to June 30, 1975
Total	^a <u>\$1.7</u>	
In-house:	<u>\$.1</u>	All effort to be completed by June 30, 1975
Total	<u><u>\$1.8</u></u>	

^a Does not add due to rounding.

A-10 WEAPON SYSTEM PROGRAM

Fiscal Year 1974 RDT&E Program--\$107.4 Million

	<u>Amount (millions)</u>	<u>Planned Period of performance</u>
Contract:		
Fairchild Republic Company	\$ 68.8 (	All work is to be performed and costs to be incurred by June 30, 1974
General Electric/ Aircraft Engine Group	21.4 (
General Electric/ Armament Systems Department	<u>4.5 (</u>	
Total	\$ <u>94.7</u>	
In-house:	\$ <u>12.7 (</u>	
Total	<u>\$107.4</u>	

The current approved program for fiscal year 1974 is \$107.4 million; however, as of January 30, 1974, the project office had only received \$92.4 million.

AIR FORCE BUDGET REQUEST FOR THE

A-10 WEAPON SYSTEM PROGRAM

Fiscal Year 1975 RDT&E Program--\$93.9 Million

	<u>Amount</u> <u>(millions)</u>	<u>Planned period</u> <u>of performance</u>
Contract:		
Fairchild Republic Company	\$42.0(
General Electric/ Aircraft Engine Group	9.6(	Not determined
General Electric/ Armament Systems Department	<u>8.0</u> (
Total	<u>\$59.6</u>	
In-house	<u>\$34.3</u> (
Total	<u>\$93.9</u>	

The fiscal year 1975 budget request is based on the A-10 project office's best estimates considering some contractors' projections because (1) the A-10 program is currently undergoing a restructuring process due to a \$5 million reduction in its fiscal year 1974 RDT&E funds, (2) \$30 million of long-lead production funds requested for fiscal year 1974 were deleted and (3) a competitive flyoff between the A-10 and A-7 prototype aircraft will be held in April 1974 which will determine the future of the A-10 program. The project office sent requests for proposals to the contractors for the restructured program on December 13, 1973, and the proposals are not due back to the project office until March 1, 1974. As of April 23, 1974, the contractor proposals had been received but the contracts had not yet been negotiated. As a result, it was not possible for us to determine if the amount of the fiscal year 1975 budget request was the amount needed for work to be done in the fiscal year ending June 30, 1975.

B-1 WEAPON SYSTEM PROGRAM

Fiscal Year 1974 RDT&E Program--\$448.5 Million

	Amount (<u>millions</u>)	<u>Planned period of performance</u>
Contract:		
Rockwell International	\$310.0(	All work to be performed and costs to be incur- red by June 30, 1974
General Electric	77.5(
Boeing and		
AIL Division of Cutler- Hammer, Inc.	39.3(
Calspan and Logicon	<u>3.3(</u>	
Total	\$ <u>430.1</u>	
Other Government costs	\$ <u>18.4(</u>	
Total	<u>\$448.5</u>	

AIR FORCE BUDGET REQUEST FOR THE

B-1 WEAPON SYSTEM PROGRAM

Fiscal Year 1975 RDT&E Program--\$499.0 Million

	<u>Amount</u> <u>(millions)</u>	<u>Planned period</u> <u>of performance</u>
Contract:		
Rockwell International	\$224.0(	All work to be performed and costs to be incur- red by June 30, 1975.
General Electric	75.7(
Boeing	29.5(
AIL Division of Cutler- Hammer, Inc.	a38.0(
Calspan	2.8(
Logicon	<u>.5(</u>	
Total	<u>\$370.5</u>	
Other Government costs	<u>\$128.5(</u>	
Total	<u><u>\$499.0</u></u>	

Project officials could not give us a breakdown of the fiscal year 1975 budget request because the details had not been determined. They stated that the above figures are subject to change.

^a Cutler-Hammer's portion of this is \$14.2 million and the balance is for both Boeing and Rockwell's effort regarding defensive avionics integration.

LIGHTWEIGHT FIGHTER (LWF) PROTOTYPE PROGRAM

Fiscal Year 1974 RDT&E Program--\$46.5 Million

	<u>Amount</u> <u>(millions)</u>	<u>Planned period</u> <u>of performance</u>
Contract:		
General Dynamics	\$19.2	
Northrop	19.0	Work for the major LWF prototype contractors is planned to coincide with the fiscal year. In-house work is not specifically scheduled to coincide with the fiscal year ending June 30, 1974.
Pratt and Whitney	2.4	
General Electric	<u>3.0</u>	
Total	<u>\$43.6</u>	
Other Government costs	\$ <u>1.9</u>	
Total	<u>\$45.5</u>	

The fiscal year 1974 approved program for the Lightweight Fighter (LWF) prototype was for \$46.5 million, but \$6.5 million was frozen by the DOD pending completion of congressional review. The financial specialist for the LWF project office said the LWF program was authorized an additional \$5.5 million in mid-January 1974, but he had not received the budget authorization form. The Air Force is not currently planning to release the additional \$1 million of fiscal year 1974 RDT&E funds which were to be allocated to "other government costs."

The work for the major LWF prototype contractors is planned to coincide with each fiscal year, but the in-house work in this program is not specifically scheduled to coincide with each fiscal year ending June 30. Project Office officials stated that some in-house testing has to be completed on the LWF prototype program by the Air Force Flight Dynamics Laboratory. This effort amounts to \$40,000 and is funded on a nonincremental basis because of the small amount involved. A waiver for the total amount was obtained, however, before the end of fiscal year 1973 in which it was funded. Test Center support for the LWF is another in-house item which is not usually funded on an incremental basis because of the small amounts involved. Since the amount of the in-house effort is not substantial and the project office is obtaining waivers for the balance of the effort which is carried over into the next fiscal year, we believe the LWF prototype program is essentially complying with the Committee's current policy.

AIR FORCE BUDGET REQUEST FOR THE
 LIGHTWEIGHT FIGHTER (LWF) PROTOTYPE PROGRAM
 Fiscal Year 1975 RDT&E Program--\$12.7 Million

	<u>Amount (millions)</u>	<u>Planned period of performance</u>
Contract:		
General Dynamics	\$ 2.9	Work for the major LWF prototype contracts is planned to coincide with the fiscal year. In-house work is not specifically scheduled to coincide with the fiscal year ending June 30, 1975.
Northrop	4.1	
Pratt and Whitney	1.6	
General Electric	.7	
Total	\$ <u>9.3</u>	
Other Government costs	\$ <u>3.4</u>	
Total	\$ <u><u>12.7</u></u>	